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August 28, 2007

Jim Carpenter
MATC Economics Instructor

Re: **Arguments in favor of raising the Wisconsin minimum wage to $7.25 immediately and indexing the minimum wage to inflation**

Dear Chairman Coggs and Distinguished Members of the Committee:

Thank you for allowing me to testify on this important issue affecting our economy and social justice.

For the record,. I have taught economics at Milwaukee Area Technical College for the last 8 years. I have also taught economics at Waukesha County Technical College. I have an undergraduate degree in engineering from the University of Illinois and I have a master's degree in economics (with distinction) from DePaul University in Chicago.

I would like to put forth some of the reasons why it is good policy to index the Wisconsin minimum wage to inflation and raise it to $7.25 an hour immediately rather than waiting until federal law raises it to this level in 2009.

A Significant Group of Economists Actively Endorse It

Many distinguished economists, including several Nobel Laureates, believe that indexing the minimum wage to inflation and increasing the minimum wage to $7.25 in phases would be beneficial to low wage workers and the economy (attachment 1). They made this statement in regards to legislation proposed **2 years ago**. Therefore, one can assume that enacting the $7.25 minimum now would meet their support for a phased in increase.

The Proposed Legislation is Very Modest

The proposed federal increase to $7.25 is very modest and does not get us back to the real purchasing power of the minimum wage in 1968, which was near $8. (Attachment 2). And in fact, $8 is a very conservative estimate. Using raw data from the Consumer Price

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Index, the $1.60 minimum wage in 1968 is equivalent to $9.79 in today's prices. (208/34) X $1.60 = $9.79 (attachment 3).

A $7.25 minimum does not take a family of 3 out of poverty and it will soon not take a family of 2 out of poverty if it is not indexed. (attachment 4).

The minimum wage is needed to address a type of market failure. Worker productivity continues to advance because of advances in science and technology. If the market were working properly, the benefits of this increased productivity would spread to all workers. But, according to the CIA World Factbook, almost all the income gains since 1975 have gone to the top 20% of households. (attachment 5). If all workers were to benefit from technological advance, then the minimum wage would be well above $7.25 – as much as $20 per hour by some calculations (attachment 6).

<u>But the legislation we have before us today is not even asking for this type of increase. All it is asking is that a $7.25 minimum be enacted immediately and that it not be eroded by inflation.</u>

Empirical Evidence and Theoretical Models Show Modest Increases in the Minimum Wage Will Not Increase Unemployment.

Empirical evidence also refutes those economists who say that modest minimum wage increases lead to higher unemployment. For instance, economists David Card and Alan Krueger studied data including the 1992 increase in New Jerseys minimum wage, the 1998 rise in California's minimum wage , and the 1990-91 increases in the in the federal minimum wage. In each case, their evidence shows that modest increases in the minimum wage have resulted in little or no loss of jobs. (*The New Economics of the Minimum wage.* Princeton, N.J.: Princeton University Press, 1995*)*. Additional empirical evidence is given in attachments 6 and 7.

Furthermore, there are good theoretical reasons for understanding why modest increases in the minimum wage will not affect employment. The standard Supply and Demand Model that argues that increases in the minimum wage will decrease employment is based on the assumption that the labor demand curve slopes down and to the right.. This assumption makes sense if the minimum wage is applied to only one firm and not others. In this case, the firm looses its competitive position when it alone has to pay higher wages and subsequently its sales and need for workers would decrease.

However, if the minimum wage is applied across the entire state economy and not to one firm, individual firms are not put at a competitive disadvantage with an increased minimum wage because their competitors must also pay this higher wage. In this case, the demand for labor is near vertical and there is little or no employment loss when the minimum wage is raised. (attachment 8).

This Legislation Will Benefit Wisconsin's Working Poor

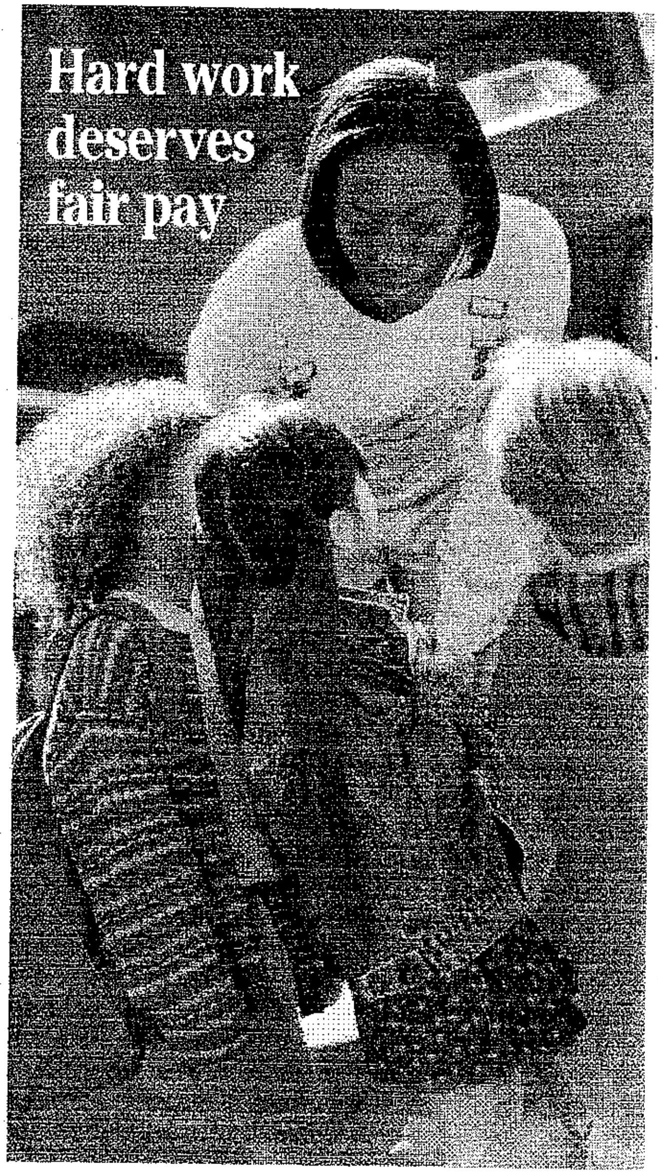
In Wisconsin alone, 255,000 (10% of Wisconsin's workforce) stand to gain from an increase in the state's minimum wage from $6.50 to $7.25. Seventy percent of the workers who stand to gain would be adults. More women would benefit than men and 92,000 children live in households that would benefit. (attachment 6).

In summary, economic reasoning and social justice support the adoption of this legislation.

Thank You,

Jim Carpenter

Hundreds of Economists Say: Raise the Minimum Wage



The minimum wage has been an important part of our nation's economy for 68 years. It is based on the principle of valuing work by establishing an hourly wage floor beneath which employers cannot pay their workers. In so doing, the minimum wage helps to equalize the imbalance in bargaining power that low-wage workers face in the labor market. The minimum wage is also an important tool in fighting poverty.

The value of the 1997 increase in the federal minimum wage has been fully eroded. The real value of today's federal minimum wage is less than it has been since 1951. Moreover, the ratio of the minimum wage to the average hourly wage of non-supervisory workers is 31%, its lowest level since World War II. This decline is causing hardship for low-wage workers and their families.

We believe that a modest increase in the minimum wage would improve the well-being of low-wage workers and would not have the adverse effects that critics have claimed. In particular, we share the view the Council of Economic Advisors expressed in the 1999 Economic Report of the President that "the weight of the evidence suggests that modest increases in the minimum wage have had very little or no effect on employment." While controversy about the precise employment effects of the minimum wage continues, research has shown that most of the beneficiaries are adults, most are female, and the vast majority are members of low-income working families.

As economists who are concerned about the problems facing low-wage workers, we believe the Fair Minimum Wage Act of 2005's proposed phased-in increase in the federal minimum wage to $7.25 falls well within the range of options where the benefits to the labor market, workers, and the overall economy would be positive.

Twenty-two states and the District of Columbia have set their minimum wages above the federal level. Arizona, Colorado, Missouri, Montana, Nevada and Ohio, are considering similar measures. As with a federal increase, modest increases in state minimum wages in the range of $1.00 to $2.50 and indexing to protect against inflation can significantly improve the lives of low-income workers and their families, without the adverse effects that critics have claimed.

Leading economists endorse this statement

Henry Aaron The Brookings Institution
Kenneth Arrow*+ Stanford University
William Baumol+ Princeton University and New York University
Rebecca Blank University of Michigan
Alan Blinder Princeton University
Peter Diamond+ Massachusetts Institute of Technology
Ronald Ehrenberg, Cornell University
Clive Granger* University of California, San Diego
Lawrence Katz Harvard University (AEA Executive Committee)
Lawrence Klein*+ University of Pennsylvania
Frank Levy Massachusetts Institute of Technology
Lawrence Mishel Economic Policy Institute
Alice Rivlin+ The Brookings Institution (former Vice Chair of the Federal Reserve and Director of the Office of Management and Budget)
Robert Solow*+ Massachusetts Institute of Technology
Joseph Stiglitz* Columbia University

** Nobel Laureate + Past president, American Economics Association*

Affiliations are for identification only and should not be construed as official endorsement by the listed institutions.

650 of their fellow economists agree

For more information, visit epi.org/minwage or contact the Economic Policy Institute at 202/775-8810.

Attach (1)

Economists Supporting Increase in Minimum Wage

Katherine G. Abraham University of Maryland ▮ **Frank Ackerman** Tufts University ▮ **F. Gerard Adams** Northeastern University ▮ **Randy Albelda** University of Massachusetts - Boston ▮ **James Albrecht** Georgetown University ▮ **Jennifer Alix-Garcia** University of Montana ▮ **Sylvia A. Allegretto** Economic Policy Institute ▮ **Beth Almeida** International Association of Machinists and Aerospace Workers ▮ **Abbas Alnasrawi** University of Vermont ▮ **Gar Alperovitz** University of Maryland - College Park ▮ **Joseph Altonji** Yale University ▮ **Nurul Aman** University of Massachusetts - Boston ▮ **Teresa L. Amott** Hobart and William Smith Colleges ▮ **Alice Amsden** Massachusetts Institute of Technology ▮ **Bernard E. Anderson** University of Pennsylvania ▮ **Robert M. 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Attach (1)

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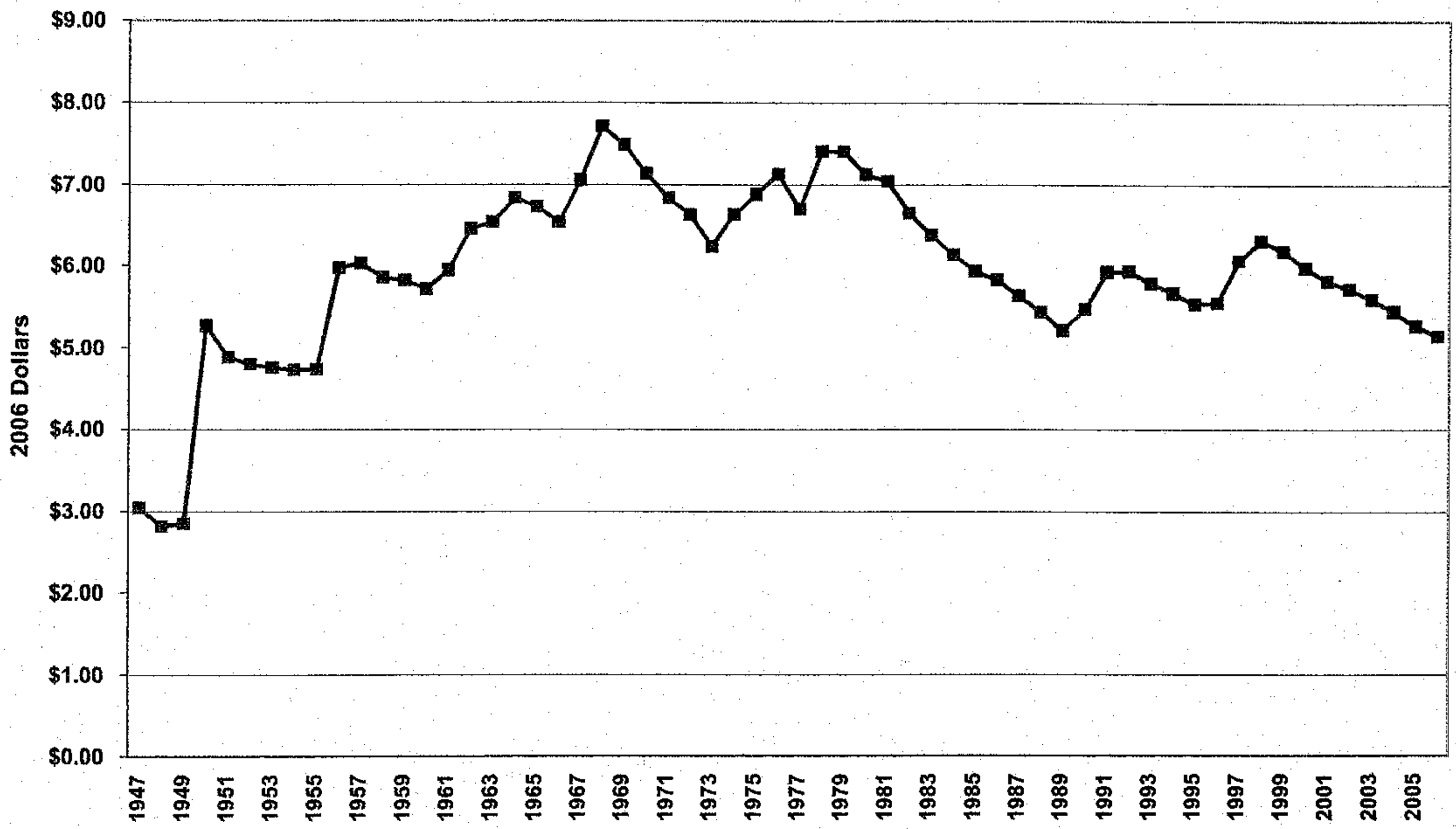
Attach (I)

Figure 1: Real value of the minimum wage, 1950-2006*



*through May 2006

A Hach (S)

Attach (3)

08-15-2007

U.S. Department Of Labor
Bureau of Labor Statistics
Washington, D.C. 20212

Consumer Price Index

All Urban Consumers - (CPI-U)

U.S. city average

All items

1982-84=100

Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec
1913	9.8	9.8	9.8	9.8	9.7	9.8	9.9	9.9	10.0	10.0	10.1	10.
1914	10.0	9.9	9.9	9.8	9.9	9.9	10.0	10.2	10.2	10.1	10.2	10.
1915	10.1	10.0	9.9	10.0	10.1	10.1	10.1	10.1	10.1	10.2	10.3	10.
1916	10.4	10.4	10.5	10.6	10.7	10.8	10.8	10.9	11.1	11.3	11.5	11.
1917	11.7	12.0	12.0	12.6	12.8	13.0	12.8	13.0	13.3	13.5	13.5	13.
1918	14.0	14.1	14.0	14.2	14.5	14.7	15.1	15.4	15.7	16.0	16.3	16.
1919	16.5	16.2	16.4	16.7	16.9	16.9	17.4	17.7	17.8	18.1	18.5	18.
1920	19.3	19.5	19.7	20.3	20.6	20.9	20.8	20.3	20.0	19.9	19.8	19.
1921	19.0	18.4	18.3	18.1	17.7	17.6	17.7	17.7	17.5	17.5	17.4	17.
1922	16.9	16.9	16.7	16.7	16.7	16.7	16.8	16.6	16.6	16.7	16.8	16.
1923	16.8	16.8	16.8	16.9	16.9	17.0	17.2	17.1	17.2	17.3	17.3	17.
1924	17.3	17.2	17.1	17.0	17.0	17.0	17.1	17.0	17.1	17.2	17.2	17.
1925	17.3	17.2	17.3	17.2	17.3	17.5	17.7	17.7	17.7	17.7	18.0	17.
1926	17.9	17.9	17.8	17.9	17.8	17.7	17.5	17.4	17.5	17.6	17.7	17.
1927	17.5	17.4	17.3	17.3	17.4	17.6	17.3	17.2	17.3	17.4	17.3	17.
1928	17.3	17.1	17.1	17.1	17.2	17.1	17.1	17.1	17.3	17.2	17.2	17.
1929	17.1	17.1	17.0	16.9	17.0	17.1	17.3	17.3	17.3	17.3	17.3	17.
1930	17.1	17.0	16.9	17.0	16.9	16.8	16.6	16.5	16.6	16.5	16.4	16.
1931	15.9	15.7	15.6	15.5	15.3	15.1	15.1	15.1	15.0	14.9	14.7	14.
1932	14.3	14.1	14.0	13.9	13.7	13.6	13.6	13.5	13.4	13.3	13.2	13.
1933	12.9	12.7	12.6	12.6	12.6	12.7	13.1	13.2	13.2	13.2	13.2	13.
1934	13.2	13.3	13.3	13.3	13.3	13.4	13.4	13.4	13.6	13.5	13.5	13.

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1935	13.6	13.7	13.7	13.8	13.8	13.7	13.7	13.7	13.7	13.7	13.8	13.
1936	13.8	13.8	13.7	13.7	13.7	13.8	13.9	14.0	14.0	14.0	14.0	14.
1937	14.1	14.1	14.2	14.3	14.4	14.4	14.5	14.5	14.6	14.6	14.5	14.
1938	14.2	14.1	14.1	14.2	14.1	14.1	14.1	14.1	14.1	14.0	14.0	14.
1939	14.0	13.9	13.9	13.8	13.8	13.8	13.8	13.8	14.1	14.0	14.0	14.
1940	13.9	14.0	14.0	14.0	14.0	14.1	14.0	14.0	14.0	14.0	14.0	14.
1941	14.1	14.1	14.2	14.3	14.4	14.7	14.7	14.9	15.1	15.3	15.4	15.
1942	15.7	15.8	16.0	16.1	16.3	16.3	16.4	16.5	16.5	16.7	16.8	16.
1943	16.9	16.9	17.2	17.4	17.5	17.5	17.4	17.3	17.4	17.4	17.4	17.
1944	17.4	17.4	17.4	17.5	17.5	17.6	17.7	17.7	17.7	17.7	17.7	17.
1945	17.8	17.8	17.8	17.8	17.9	18.1	18.1	18.1	18.1	18.1	18.1	18.
1946	18.2	18.1	18.3	18.4	18.5	18.7	19.8	20.2	20.4	20.8	21.3	21.
1947	21.5	21.5	21.9	21.9	21.9	22.0	22.2	22.5	23.0	23.0	23.1	23.
1948	23.7	23.5	23.4	23.8	23.9	24.1	24.4	24.5	24.5	24.4	24.2	24.
1949	24.0	23.8	23.8	23.9	23.8	23.9	23.7	23.8	23.9	23.7	23.8	23.
1950	23.5	23.5	23.6	23.6	23.7	23.8	24.1	24.3	24.4	24.6	24.7	25.
1951	25.4	25.7	25.8	25.8	25.9	25.9	25.9	25.9	26.1	26.2	26.4	26.
1952	26.5	26.3	26.3	26.4	26.4	26.5	26.7	26.7	26.7	26.7	26.7	26.
1953	26.6	26.5	26.6	26.6	26.7	26.8	26.8	26.9	26.9	27.0	26.9	26.
1954	26.9	26.9	26.9	26.8	26.9	26.9	26.9	26.9	26.8	26.8	26.8	26.
1955	26.7	26.7	26.7	26.7	26.7	26.7	26.8	26.8	26.9	26.9	26.9	26.
1956	26.8	26.8	26.8	26.9	27.0	27.2	27.4	27.3	27.4	27.5	27.5	27.
1957	27.6	27.7	27.8	27.9	28.0	28.1	28.3	28.3	28.3	28.3	28.4	28.
1958	28.6	28.6	28.8	28.9	28.9	28.9	29.0	28.9	28.9	28.9	29.0	28.
1959	29.0	28.9	28.9	29.0	29.0	29.1	29.2	29.2	29.3	29.4	29.4	29.
1960	29.3	29.4	29.4	29.5	29.5	29.6	29.6	29.6	29.6	29.8	29.8	29.
1961	29.8	29.8	29.8	29.8	29.8	29.8	30.0	29.9	30.0	30.0	30.0	30.
1962	30.0	30.1	30.1	30.2	30.2	30.2	30.3	30.3	30.4	30.4	30.4	30.
1963	30.4	30.4	30.5	30.5	30.5	30.6	30.7	30.7	30.7	30.8	30.8	30.
1964	30.9	30.9	30.9	30.9	30.9	31.0	31.1	31.0	31.1	31.1	31.2	31.
1965	31.2	31.2	31.3	31.4	31.4	31.6	31.6	31.6	31.6	31.7	31.7	31.
1966	31.8	32.0	32.1	32.3	32.3	32.4	32.5	32.7	32.7	32.9	32.9	32.
1967	32.9	32.9	33.0	33.1	33.2	33.3	33.4	33.5	33.6	33.7	33.8	33.
1968	34.1	34.2	34.3	34.4	34.5	34.7	34.9	35.0	35.1	35.3	35.4	35.
1969	35.6	35.8	36.1	36.3	36.4	36.6	36.8	37.0	37.1	37.3	37.5	37.
1970	37.8	38.0	38.2	38.5	38.6	38.8	39.0	39.0	39.2	39.4	39.6	39.

Attach (3)

1971	39.8	39.9	40.0	40.1	40.3	40.6	40.7	40.8	40.8	40.9	40.9	41.
1972	41.1	41.3	41.4	41.5	41.6	41.7	41.9	42.0	42.1	42.3	42.4	42.
1973	42.6	42.9	43.3	43.6	43.9	44.2	44.3	45.1	45.2	45.6	45.9	46.
1974	46.6	47.2	47.8	48.0	48.6	49.0	49.4	50.0	50.6	51.1	51.5	51.
1975	52.1	52.5	52.7	52.9	53.2	53.6	54.2	54.3	54.6	54.9	55.3	55.
1976	55.6	55.8	55.9	56.1	56.5	56.8	57.1	57.4	57.6	57.9	58.0	58.
1977	58.5	59.1	59.5	60.0	60.3	60.7	61.0	61.2	61.4	61.6	61.9	62.
1978	62.5	62.9	63.4	63.9	64.5	65.2	65.7	66.0	66.5	67.1	67.4	67.
1979	68.3	69.1	69.8	70.6	71.5	72.3	73.1	73.8	74.6	75.2	75.9	76.
1980	77.8	78.9	80.1	81.0	81.8	82.7	82.7	83.3	84.0	84.8	85.5	86.
1981	87.0	87.9	88.5	89.1	89.8	90.6	91.6	92.3	93.2	93.4	93.7	94.
1982	94.3	94.6	94.5	94.9	95.8	97.0	97.5	97.7	97.9	98.2	98.0	97.
1983	97.8	97.9	97.9	98.6	99.2	99.5	99.9	100.2	100.7	101.0	101.2	101.
1984	101.9	102.4	102.6	103.1	103.4	103.7	104.1	104.5	105.0	105.3	105.3	105.
1985	105.5	106.0	106.4	106.9	107.3	107.6	107.8	108.0	108.3	108.7	109.0	109.
1986	109.6	109.3	108.8	108.6	108.9	109.5	109.5	109.7	110.2	110.3	110.4	110.
1987	111.2	111.6	112.1	112.7	113.1	113.5	113.8	114.4	115.0	115.3	115.4	115.
1988	115.7	116.0	116.5	117.1	117.5	118.0	118.5	119.0	119.8	120.2	120.3	120.
1989	121.1	121.6	122.3	123.1	123.8	124.1	124.4	124.6	125.0	125.6	125.9	126.
1990	127.4	128.0	128.7	128.9	129.2	129.9	130.4	131.6	132.7	133.5	133.8	133.
1991	134.6	134.8	135.0	135.2	135.6	136.0	136.2	136.6	137.2	137.4	137.8	137.
1992	138.1	138.6	139.3	139.5	139.7	140.2	140.5	140.9	141.3	141.8	142.0	141.
1993	142.6	143.1	143.6	144.0	144.2	144.4	144.4	144.8	145.1	145.7	145.8	145.
1994	146.2	146.7	147.2	147.4	147.5	148.0	148.4	149.0	149.4	149.5	149.7	149.
1995	150.3	150.9	151.4	151.9	152.2	152.5	152.5	152.9	153.2	153.7	153.6	153.
1996	154.4	154.9	155.7	156.3	156.6	156.7	157.0	157.3	157.8	158.3	158.6	158.
1997	159.1	159.6	160.0	160.2	160.1	160.3	160.5	160.8	161.2	161.6	161.5	161.
1998	161.6	161.9	162.2	162.5	162.8	163.0	163.2	163.4	163.6	164.0	164.0	163.
1999	164.3	164.5	165.0	166.2	166.2	166.2	166.7	167.1	167.9	168.2	168.3	168.
2000	168.8	169.8	171.2	171.3	171.5	172.4	172.8	172.8	173.7	174.0	174.1	174.
2001	175.1	175.8	176.2	176.9	177.7	178.0	177.5	177.5	178.3	177.7	177.4	176.
2002	177.1	177.8	178.8	179.8	179.8	179.9	180.1	180.7	181.0	181.3	181.3	180.
2003	181.7	183.1	184.2	183.8	183.5	183.7	183.9	184.6	185.2	185.0	184.5	184.
2004	185.2	186.2	187.4	188.0	189.1	189.7	189.4	189.5	189.9	190.9	191.0	190.
2005	190.7	191.8	193.3	194.6	194.4	194.5	195.4	196.4	198.8	199.2	197.6	196.
2006	198.3	198.7	199.8	201.5	202.5	202.9	203.5	203.9	202.9	201.8	201.5	201.
2007	202.416	203.499	205.352	206.686	207.949	208.352	208.299					

Economic Policy Institute

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Economic Snapshots

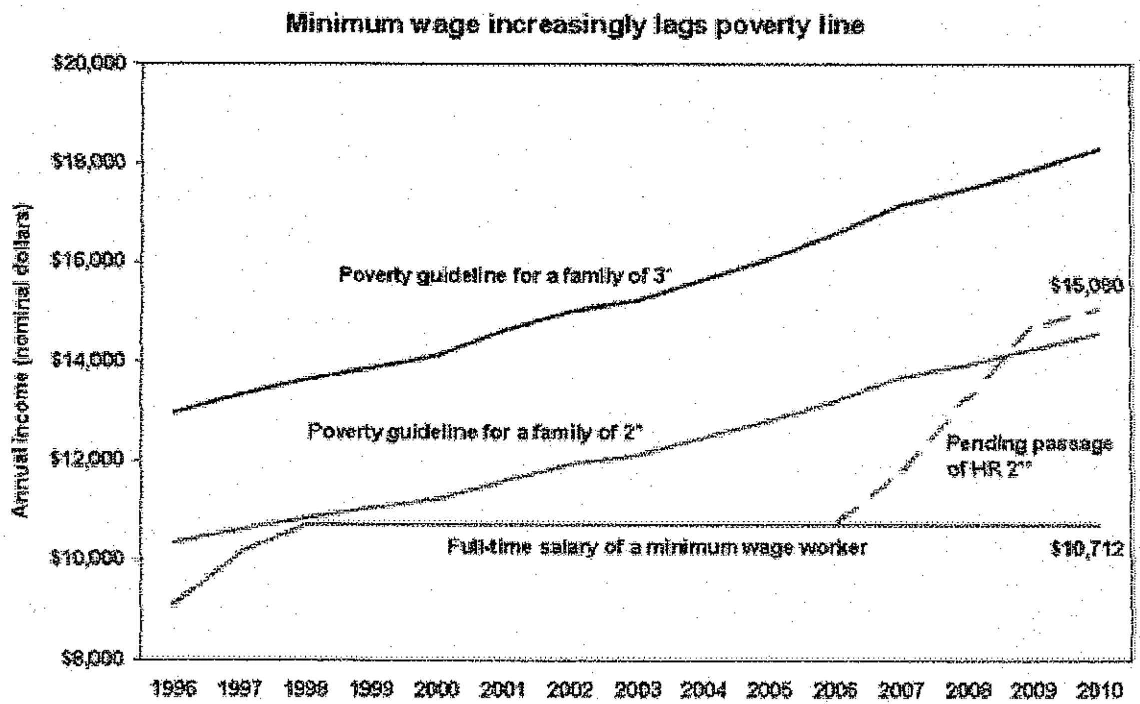
See Snapshots archive

Snapshot for January 31, 2007.

Minimum wage increasingly lags poverty line

by Liana Fox

The recently released 2007 federal poverty guideline highlights the severe and growing inadequacy of the minimum wage. Currently, a full-time minimum wage worker (40 hours/week, 52 weeks/year) would earn $10,712 a year, falling nearly 40% below the $17,170 poverty level for a family of three. Even after factoring in the earned income tax credit, which was designed to bring low-wage workers up to the poverty line, this worker would still fall short of the poverty line.[1]



* Adjusted by CBO inflation projections in 2008-2010.
**Assuming bill is enacted by February 2007.

The minimum wage is at its lowest real value in over 50 years and has not been raised since 1997. This is the longest stretch of federal inaction since the minimum wage was first instated in 1938. As the basic income required to support a family has grown with inflation,[2] the minimum wage has not kept pace with the rising costs of goods. As a result, federal inaction leaves minimum wage workers in an increasingly dire situation.

Every day that Congress fails to enact a higher minimum wage, workers lose purchasing power. However, if the minimum wage bill currently under debate in the Senate (HR 2) were immediately passed, this gap would be significantly reduced. In 2009, this bill would raise full-time minimum wage workers above the poverty line for a family of two for the first time in over a

Attach (4)

decade. While this modest bill would still place minimum wage workers 18% below the poverty line for a family of three, it would provide much needed relief to low-wage workers and their families.

Notes

1. In 2007, families with two or more children will receive an EITC equal to 40 cents for each dollar up to $11,790 earned, for a maximum benefit of $4,716. A single worker with two children earning $10,712/year would qualify for a $4,285 tax credit under the federal EITC program, receiving a total of $14,997in 2007, which is $2,173 below the federal poverty level.

2. It is widely recognized that the poverty line substantially understates the income needed to support a family.

Check out the archive for past *Economic Snapshots*.

A weekly presentation of downloadable charts and short analyses designed to graphically illustrate important economic issues, *Snapshots* are updated every Wednesday.

Attach 4

Economy - overview:

The US has the largest and most technologically powerful economy in the world, with a per capita GDP of $43,500. In this market-oriented economy, private individuals and business firms make most of the decisions, and the federal and state governments buy needed goods and services predominantly in the private marketplace. US business firms enjoy greater flexibility than their counterparts in Western Europe and Japan in decisions to expand capital plant, to lay off surplus workers, and to develop new products. At the same time, they face higher barriers to enter their rivals' home markets than foreign firms face entering US markets. US firms are at or near the forefront in technological advances, especially in computers and in medical, aerospace, and military equipment; their advantage has narrowed since the end of World War II. The onrush of technology largely explains the gradual development of a "two-tier labor market" in which those at the bottom lack the education and the professional/technical skills of those at the top and, more and more, fail to get comparable pay raises, health insurance coverage, and other benefits. Since 1975, practically all the gains in household income have gone to the top 20% of households. The response to the terrorist attacks of 11 September 2001 showed the remarkable resilience of the economy. The war in March-April 2003 between a US-led coalition and Iraq, and the subsequent occupation of Iraq, required major shifts in national resources to the military. The rise in GDP in 2004-06 was undergirded by substantial gains in labor productivity. Hurricane Katrina caused extensive damage in the Gulf Coast region in August 2005, but had a small impact on overall GDP growth for the year. Soaring oil prices in 2005 and 2006 threatened inflation and unemployment, yet the economy continued to grow through year-end 2006. Imported oil accounts for about two-thirds of US consumption. Long-term problems include inadequate investment in economic infrastructure, rapidly rising medical and pension costs of an aging population, sizable trade and budget deficits, and stagnation of family income in the lower economic groups.

Attach 5

COWS

center on wisconsin strategy

For Immediate Release

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Raising the Minimum Wage to $7.25 per hour Would Help 250,000 Wisconsin Workers

Increasing the minimum wage to $7.25 will benefit thousands of low-wage working adults in Wisconsin. Data analyzed by the Center on Wisconsin Strategy and Economic Policy Institute show that some 255,000 workers in Wisconsin –10 percent of the workforce – stand to gain from an increase in the state's minimum from its current level of $6.50 to $7.25 per hour.

Of the quarter of a million workers who gain, 75,000 would directly benefit, as their wages are now below $7.25 an hour. Another 180,000 workers with wages just above the minimum would gain indirectly from a positive ripple effect.

The data shows an interesting profile of the 255,000 workers who gain:

- Affected workers would enjoy a 4 percent raise, on average.
- 92,000 children in the state have parents that would benefit from an increase.
- 70 percent of the workers that stand to gain are adults.
- Women workers are more likely than men benefit from the increase.
- Most workers are employed in the service sector, especially retail trade, leisure and hospitality industries.

The analysis also points out that there is little national evidence to support the view that minimum wage increases are "job killers." Data from Wisconsin refutes it as well. In the context of an increased minimum wage, Wisconsin's economy continues to grow, with strong growth posted by the eating and drinking industry which is the most substantially impacted by the wage increases.

Presently, 19 states have minimum wages set above the Wisconsin minimum wage level (see Table 1). And 10 states have already indexed their minimum wages to inflation. Indexing the minimum wage helps to build a stronger wage floor and helps the state's lowest paid workers keep up with inflation.

"If the minimum wage had grown with inflation and productivity, it would be nearly $20 per hour today," said Joel Rogers, Director of COWS. "Indexing the wage to inflation is a small step, but an important one for workers in the state." *

COWS minimum wage policy brief is one of seven policy briefs released today which highlight concrete policy ideas for the state as part of COWS' Building a Stronger Wisconsin initiative. The seven reports can be found at www.cows.org/wisconsin.

Attach 6

Table 1. States with Minimum Wages Above the Federal Minimum of $5.15 Per Hour

State	Minimum Wage	Future Increases
Washington	$7.93	Inflation-based
Oregon	$7.80	Inflation-based
Connecticut	$7.65	
California	$7.50	$8.00 in 2008
Massachusetts	$7.50	$8.00 in 2008
Rhode Island	$7.40	
Hawaii	$7.25	
Vermont	$7.25	Inflation-based
Alaska	$7.15	
New Jersey	$7.15	
New York	$7.15	
Michigan	$6.95	$7.15 in July, $7.40 in 2008
Colorado	$6.85	Inflation-based
Ohio	$6.85	Inflation-based
Arizona	$6.75	Inflation based
Maine	$6.75	$7.00 in October
Florida	$6.67	Inflation-based
Delaware	$6.65	$7.15 in 2008
Illinois	$6.50	
Missouri	$6.50	Inflation-based
Wisconsin	$6.50	
Arkansas	$6.25	
Pennsylvania	$6.25	$7.15 in July
Maryland	$6.15	
Minnesota	$6.15	
Montana	$6.15	Inflation-based
Nevada	$6.15	Inflation-based
North Carolina	$6.15	

Source: COWS, *Raising the Wage Floor*, March 2007

About COWS

Center on Wisconsin Strategy (COWS) is a non-profit, nonpartisan "think-and-do tank" dedicated to improving economic performance and living standards in the state of Wisconsin and nationally. Based at the University of Wisconsin-Madison, COWS works to promote "high road" strategies that support living wages, environmental sustainability, strong communities, and public accountability. For more information visit: www.cows.org

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Attach 6

Economic Policy Institute

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MINIMUM WAGE

Facts at a Glance

Download the entire Issue Guide in PDF format

Last updated April 2007

A minimum wage increase would raise the wages of millions of workers.

- An estimated 13.0 million workers (10% of the workforce) would receive an increase in their hourly wage rate if the minimum wage were raised from $5.15 to $7.25 by 2009. Of these workers, 5.6 million workers (4% of the workforce) currently earn less than $7.25 and would be directly affected by an increase. The additional 7.4 million workers (6% of the workforce) earning slightly above the minimum would also be likely to benefit from an increase due to "spillover effects."

Minimum wage increases benefit working families.

- The earnings of minimum wage workers are crucial to their families' well-being. Evidence from an analysis of the 1996-97 minimum wage increase shows that the average minimum wage worker brings home more than half (54%) of his or her family's weekly earnings.
- An estimated 1,229,000 single parents with children under 18 would benefit from a minimum wage increase to $7.25 by 2009. Single parents would benefit disproportionately from an increase — single parents are 10% of workers affected by an increase, but they make up only 7% of the overall workforce. Approximately 6.4 million children under 18 would benefit as their parents' wages were increased.
- Adults make up the largest share of workers who would benefit from a minimum wage increase: 79% of workers whose wages would be raised by a minimum wage increase to $7.25 by 2009 are adults (age 20 or older).
- Over half (53%) of workers who would benefit from a minimum wage increase work full time and another third (31%) work between 20 and 34 hours per week.

Minimum wage increases benefit disadvantaged workers.

- Women are the largest group of beneficiaries from a minimum wage increase: 59% of workers who would benefit from an increase to $7.25 by 2009 are women. An estimated 12% of working women would benefit directly from that increase in the minimum wage.
- A disproportionate share of minorities would benefit from a minimum wage increase. African Americans represent 11% of the total workforce, but are 16% of workers affected by an increase. Similarly, 14% of the total workforce is Hispanic, but Hispanics are 19% of workers affected by an increase.
- The benefits of the increase disproportionately help those working households at the bottom of the income scale. Although households in the bottom 20% received only 5% of national income, 38% of the benefits of a minimum wage increase to $7.25 would go to these workers. The majority of the benefits of an increase would go to families with working adults in the bottom 40%

Attach 7

of the income distribution.

- Among families with children and a low-wage worker affected by a minimum wage increase to $7.25, the affected worker contributes, on average, over half (59%) of the family's earnings. Forty-six percent of all families with affected workers rely solely on the earnings from those workers.

- Relatively large shares of the workforce (up to 19.1%) in some Southern and Mid-Western states would benefit from an increase to $7.25.

A minimum wage increase would help reverse the trend of declining real wages for low-wage workers.

- Since September 1997, the cost of living has risen 26%, while the minimum wage has fallen in real value. After adjusting for inflation, the value of the minimum wage is at its lowest level since 1955.

- Wage inequality has been increasing, in part, because of the declining real value of the minimum wage. Today, the minimum wage is 31% of the average hourly wage of American workers, the lowest level since the end of World War II.

A minimum wage increase is part of a broad strategy to end poverty.

- As welfare reform forces more poor families to rely on their earnings from low-paying jobs, a minimum wage increase is likely to have a greater impact on reducing poverty.

- A recent study of a 1999 state minimum wage increase in Oregon found that as many as one-half of the welfare recipients entering the workforce in 1998 were likely to have received a raise due to the increase. After the increase, the real hourly starting wages for former welfare recipients rose to $7.23.

- The federal Earned Income Tax Credit (EITC) combined with the minimum wage helps to reduce poverty, but the EITC is not a replacement for a minimum wage increase.

- The minimum wage raises the wages of low-income workers in general, not just those below the official poverty line. Many families move in and out of poverty, and near-poor families are also beneficiaries of minimum wage increases.

The inflation-adjusted value of the minimum wage is 30% lower in 2006 than it was in 1979.

- The effect of the last minimum wage increase in 1996-97 has been completely eroded by inflation.

- $5.15 today is the equivalent of only $3.95 in 1995 — lower than the $4.25 minimum wage level before the 1996-97 increase.

There is no evidence of job loss from the last minimum wage increase.

- A 1998 EPI study failed to find any systematic, significant job loss associated with the 1996-97 minimum wage increase. In fact, following the most recent increase in the minimum wage in 1996-97, the low-wage labor market performed better than it had in decades (e.g., lower unemployment rates, increased average hourly wages, increased family income, decreased poverty rates).

- Studies of the 1990-91 federal minimum wage increase, as well as studies by David Card and Alan Krueger of several state minimum wage increases, also found no measurable negative impact on employment.

- New economic models that look specifically at low-wage labor markets help explain why there is little evidence of job loss associated with minimum wage increases. These models recognize that

Attach 7

employers may be able to absorb some of the costs of a wage increase through higher productivity, lower recruiting and training costs, decreased absenteeism, and increased worker morale.

- A recent Fiscal Policy Institute (FPI) study of state minimum wages found no evidence of negative employment effects on small businesses.

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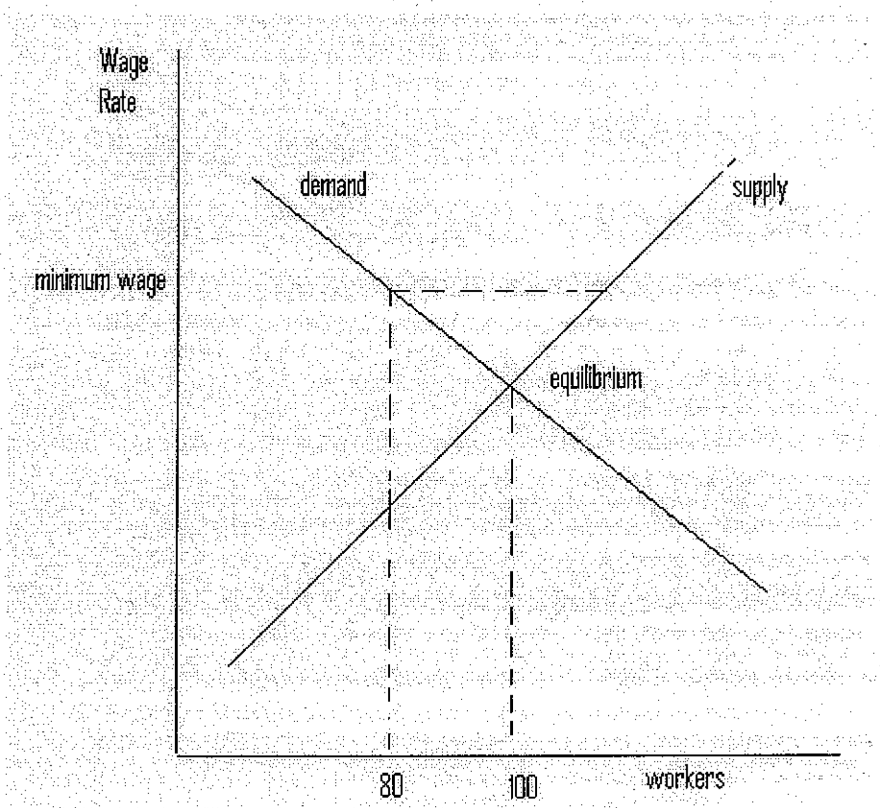
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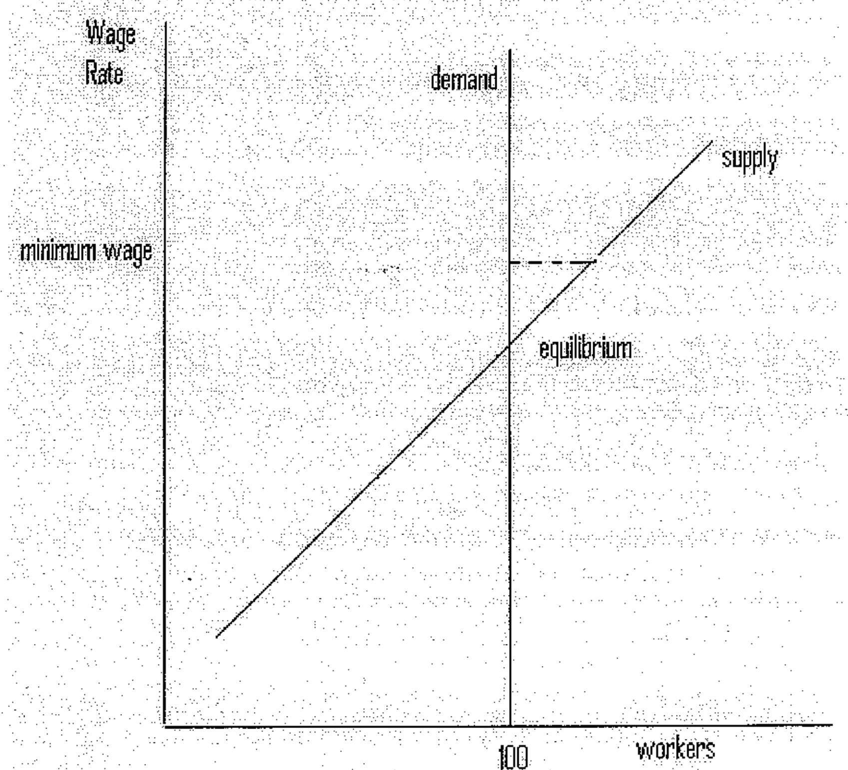
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WISCONSIN CATHOLIC CONFERENCE

TO: Members of the Senate Committee on Labor, Elections and Urban Affairs

FROM: John Huebscher, Executive Director

DATE: August 28, 2007

RE: Senate Bill 130, Minimum Wage

On behalf of the Wisconsin Catholic Conference I urge the Committee to support Senate Bill 130 and increase the minimum wage in Wisconsin. We believe such an increase is consistent with the tenets of Catholic social teaching on the dignity of workers, the needs of low income wage earners in our state, and the principles that have driven welfare reform at both the state and federal levels.

For over a century, the Catholic Church has addressed the rights of workers in modern industrial societies in light of the principles of Catholic social teaching. A number of these principles are relevant to a discussion over the minimum wage.

The Dignity of Workers. Ultimately, the value of work is grounded in the dignity of the human beings who do it. Just as every life has value, so too does every worker have dignity. Wages are a critical way by which we recognize that dignity.

Rights and Responsibilities. Our rights are grounded in our responsibilities to ourselves and to others. Thus the right of every person to a job is grounded in the twin responsibility to develop (at a minimum) one's own God given skills to the fullest and to provide for one's own needs and those of one's family. This is why Catholic social teaching has long defined a just wage in terms of a "family wage," or that necessary to meet the needs of a family.

Citizens and Consumers as "Indirect Employers." In his 1981 letter, *On Human Work*, Pope John Paul II asserted that the responsibility to treat workers justly is not limited to those who hire them. This duty extends to all persons and institutions such as government, financial organizations, and others, who influence the structures and conditions in which work is performed. Pope John Paul II referred to these entities as "indirect employers." In a democracy and consumer-driven economy such as ours, we the voters and consumers can be thought of as "indirect employers" to the extent that our choices govern decisions in the market place.

The Minimum Wage as a "Family Wage." As Msgr. John Ryan wrote nearly a century ago, the wage paid to an unmarried man or woman must be equal that of a breadwinner. He grounded this belief in three arguments. First, equal pay for equal work prevents discrimination against

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breadwinners. Second, childless workers have the same right as other workers to a wage that values the work they do. Third, workers who are paid a family wage before they form families will be able to set aside savings to provide for the needs of their future families. Thus, we oppose the creation of a "sub-minimum wage" for certain classes of workers.

In applying these principles, SB 130 addresses the needs of the Wisconsin worker, preserving the value and dignity of work:

Senate Bill 130 Assists Needy Families. SB 130 will help over 250,000 workers, fully 10 percent of the labor force. We note that 70 percent of these workers are adults. Many are parents. Indeed, nearly more than 90,000 of our state's children have parents who earn the minimum wage. In this context, raising the minimum wage is one way to strengthen Wisconsin's families.

We also note that many of the workers affected by this bill are employed in the service sector, especially in the retail trade, leisure and hospitality industries. As we determine the justice of our minimum wage, we who are consumers of these leisure activities and therefore "indirect employers" must ask ourselves, "What can workers who make our leisure activities possible buy with the wages they earn? And are their wages sufficient to pay for their essential needs?"

Senate Bill 130 Indexes the Minimum Wage for Inflation. We specifically endorse the provision of SB 130 that provides for the regular indexing of the minimum wage to reflect fluctuations in the cost of living. Such periodic adjustments are necessary if wages are to remain sufficient to allow workers to meet their needs and those of their families.

Senate Bill 130 Should Also Extend the Minimum Wage to W-2 Participants. Even as we endorse SB 130 we ask that it be improved in one respect. The scope of this bill should include grants paid to W-2 workers. Wisconsin Works is touted as a work-not-welfare program. One of W-2's core principles is that only work should pay. A second principle is that the justice of the Wisconsin Works program be measured by how the working poor are treated.

If the wages paid to all workers, even the "working poor," are truly just wages that enable them to support families or prepare them to do so, then the words "only work should pay" will ring true. If, however, we tell the poor that they should work and then refuse to pay a just wage for their work, then the words "only work should pay" will ring hollow, and our welfare and economic policies will fail a basic test of social justice.

Conclusion. In light of these considerations, raising the state minimum wage is good public policy. It helps those workers who earn the least. It strengthens Wisconsin's families. It allows the rest of us to live up to our duty as "indirect employers."

Your support for Senate Bill 130 is appreciated.

NFIB

The Voice of Small Business®

WISCONSIN

Statement Before the Senate Committee on Labor, Elections and Urban Affairs

By

Bill G. Smith
State Director
National Federation of Independent Business
Wisconsin Chapter

Tuesday, August 28, 2007
Senate Bill 130

Mr. Chairman, and members of the Committee, my name is Bill G. Smith, and I am State Director for the National Federation of Independent Business. The NFIB is the state's largest non-profit advocate on behalf of small and independent business.

NFIB's membership spans the entire spectrum of the business community, ranging from one-person, self-employed operations to firms with hundreds of employees. However, a typical NFIB member employs fewer than ten employees, and reports gross sales between $350,000-400,000.

Those Main Street labor-intensive firms are opposed to passage of Senate Bill 130.

The opposition of our members to this legislation isn't because they are less compassionate as the proponents of the bill might claim, nor as greedy as those who favor this legislation sometimes argue. Small business owners oppose this proposal because they are on the front line creating jobs, growing their businesses, investing in their communities, providing our young people with their first real job experience, and providing meaningful employment opportunities for those individuals with fewer job skills.

Those who support and those who oppose this legislation can disagree over the impact of an increase in the state's minimum wage rate. And I will agree the recent minimum wage increase approved by the Congress and signed into law by the President will lessen the overall impact on some small business employers and their employees.

But even members of Congress realized there would be negative economic fall-out as a result of increasing the federal minimum wage, when they included a $4.8 billion tax package favorable to smaller firms.

We have, of course, dueling studies among the proponents and opponents of this legislation that show the impact of a higher minimum wage on the state's economy.

The 2007 Minimum Wage Survey of 280 economists conducted by the University of New Hampshire Survey Center, produced results that show the ineffective and destructive impact of minimum wage increases:

- 73% of the economists agreed government mandated hike in the minimum wage causes job loss.
- Nearly half of the survey participants said minimum wage laws have no impact on changes in poverty rates. (Robert Reich, former Secretary of Labor said, "After all, most minimum wage workers are not poor.")
- And 55% said a higher minimum wage is an inefficient way to address the needs of poor families; 70% said the Earned Income Tax Credit best addresses the needs of poor families, only 9% chose a higher minimum wage to address the needs of poor families.

But Senate Bill 130 would not only increase the minimum wage, but it would do so every year based on some formula tied to the Consumer Price Index.

So we have all these negative consequences, as I have just recited from a survey study of 280 labor economists, and now the proponents of this legislation want those consequences inflicted on our economy on an annual basis, year after year.

The indexing of the minimum wage rate would institutionalize all the negatives of rising labor costs, and result in reduced job growth, fewer job opportunities for limited skilled workers, less entry level employment, and constant inflationary pressure throughout our economy.

The studies by the economists of the negative impact are very compelling, but the reality is even more compelling when expressed by the real world operators of Main Street small businesses. They struggle every day to meet their payroll, pay their health insurance premiums, keep the lights on, fuel their vehicles, comply with cumbersome, complicated regulations, and pay their taxes.

If the minimum wage law is a failed economic policy, as we believe it is, then surely increasing the minimum wage and indexing the rate every year will also fail to meet the desired public policy objectives.

Mr. Chairman, **I encourage members of the Committee to oppose passage of Senate Bill 130.**

Thank you.

NATO National Association of Theatre Owners

To: Senate Committee on Labor, Elections and Urban Affairs

From: Jason E Johns, National Association of Theatre Owners for Wisconsin & Upper Michigan

Re: Opposition to SB 130

Date: August 28, 2007

Members of the Committee:

On behalf of the National Association of Theatre Owners of Wisconsin & Upper Michigan and their 52 members representing 681 screens in the state I wish to express our opposition to SB 130.

NATO is well aware that the Federal Government has passed a minimum wage increase and Wisconsin will have to come into the staggered increases ending up at a minimum wage of $7.25 by 2009. This also means minor wage will be at $6.60 by 2009 as well. Although not entirely pleased with this increase we know we have to honor it and will do so. But we have 2 years to prepare for the increase and implementation of it. SB 130 would require this increase to take effect in September 2007, almost immediately. If SB 130 is passed we would like to see this effective date changed.

Our major opposition to SB 130 is based on the annual automatic increases tied to the consumer price index. The consumer price index is determined based on the ever increasing costs of items such as washing machines, groceries, new automobiles, and other consumer products. All of these items are purchased by adult workers for themselves and their families. The majority of our employees are minor employees and thus they would not be purchasing these items. So why should we be increasing their wages every year to help them purchase items they do not buy?

In order to compete with other businesses for minor employees, many of our members all ready pay above the minor rate to their employees. However, the amount they pay is determined by the market in their specific area and also based on what they, as a small business, can afford to pay. SB 130 would take this decision away from the theatre owner and make them pay an increased wage on an annual basis whether they can afford it or not.

We ask that you oppose SB 130 as written. The federally mandated increase that will happen in 2 years is more than adequate. The burden placed upon theatre and other small business owners in the state by requiring automatic increases with no end date would result in many businesses closing up shop or scaling down their number of employees. This would be detrimental to the economy of Wisconsin. What good is an increased minimum wage if there is less jobs for people to make any wage? To this end, if the committee chooses to pass SB 130, we ask it be amended to exclude minor employees from the automatic increases based on the consumer price index.

Thank you,

Jason E Johns, Esq.
Tenuta & Johns
On Behalf of NATO